

Work and Pensions Committee

Oral evidence: Overpayments of Carer's Allowance, HC 1772

Wednesday 15 May 2019

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Members present: Nigel Mills (in the Chair); Rosie Duffield; Ruth George; Steve McCabe; Chris Stephens.

In the absence of the Chair, Nigel Mills was called to the Chair.

Questions 57 - 169

Witnesses

[I](#): Sir Amyas Morse KCB, Comptroller and Auditor General, National Audit Office and Joshua Reddaway, Director, Work and Pensions Value for Money.

[II](#): Peter Schofield, Permanent Secretary, Department for Work and Pensions, Emma Haddad, Director General, Service Excellence, Department for Work and Pensions and Laura Squire, Head of Fraud, Error and Debt, Strategy, Policy, and Change, Department for Work and Pensions.



Examination of witnesses

Witnesses: Sir Amyas Morse KCB and Joshua Reddaway.

Q57 **Chair:** Good morning. Welcome to the Work and Pensions Committee. We have apologies from the Chair, who is unavoidably away, so he has asked me to step into the breach. We are here to look at overpayments of carer's allowance. Could we perhaps start, Sir Amyas, by you introducing yourself and your colleague?

Sir Amyas Morse: Thank you very much. I should say that I had the courtesy of a letter from the Chair, so I fully understand the circumstances. It was very kind of him to take the trouble to write.

I am the Comptroller and Auditor General—for a little bit longer—and this is my colleague Joshua Reddaway, who is a director at the National Audit Office and who did all the work of putting this document that you are looking at together. I shall lean on him heavily for detail and accuracy in the answers. I was proposing that the division of labour would be that I would make the indiscreet remarks.

Q58 **Chair:** We are hoping that you would be demob-happy and would be even more frank than normal, Sir Amyas.

I think it is pretty clear from your report that the Department is now detecting overpayments that it probably could and should have picked up earlier. Is there a case that DWP should be writing some of this debt off given they probably could have done more to stop people getting into this situation?

Sir Amyas Morse: I can understand that doing a broadcast writing off policy might create quite awkward precedents for the Department. What they could think about, and I would say the Committee might urge them to think about, is looking at this from an administrative point of view and saying that where there are relatively low amounts to be recovered over a very long period of time from people with quite low incomes, they might take a view that it is really not good use of administrative resource to do that. Rather than saying, "We are going to write a ticket here that might complicate things in the future," I would ask them to consider something along those lines, which might come out to quite a satisfactory result.

Q59 **Chair:** When you say "relatively low amounts" are you saying if it is less than—I think 65 is where they have currently set the threshold, isn't it? Are you saying that could be—

Sir Amyas Morse: To say to the Department, "You should just give a blank cheque", there are some situations where there are quite large amounts at play and it is difficult for the Department to agree to write those off, and I think it is sensible to say they can look at individual circumstances there.

Q60 **Chair:** It is quite a task, though, isn't it? If you said anything less than



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£250 we will not chase, it is quite easy just to wipe it from the system, isn't it? If you are going to review every individual case—

Sir Amyas Morse: If it was up to me—and it is not: writing off is clearly a decision for the Department—I would be inclined to think, “Why do we not look at this on a de minimis level and say that, taking that approach, there seems to be quite a large population of people where it does not make sense to pursue them for what will be a very long trail of pursuit?” I would have thought at the very least that was not an unreasonable thing to suggest.

Joshua Reddaway: The discretion that the Secretary of State and the civil service have here is really in how they apply it on a case-by-case basis. There is something called the SMOP, the small overpayment limit, that is £65. In the past, that meant overpayments of just a week were automatically written off because they are not worth collecting, because that stayed the same and inflation on carer's allowance now means that everything will fall over that, so they will, in future, be collecting everything. That limit is not just for carer's allowance; it is for everything.

It is interesting that only one in 80 of the debts being collected have applied for hardship allowance. Under the hardship rules, the Department mostly says, “Yes, okay, we will reduce the amount we are collecting week by week against your benefit.” They are also entitled, according to the manual that they helpfully publish, to consider waiving the debt. You can imagine more effort being put in to publicise that and more effort being put into how to have those conversations with individuals about, “What are your circumstances? Can you really afford this? In these circumstances, on a case-by-case basis we would be happy to waive this debt.”

Q61 **Chair:** When you qualify the Department's accounts, Sir Amyas, if I remember rightly, that is because they are not spending money as is intended by Parliament—spending it on fraud and error, not on benefits people are entitled to. Are you saying to them, “If you did that and started writing off, then we would qualify your accounts on that basis,” or would that be a solution you would be accepting if you were still around to do the accounts?

Sir Amyas Morse: No, I am not going to negotiate my audit opinion in the Committee here, but the amounts involved are most unlikely to be material and we would not regard it as— The reasons on which I qualify are regularity. There are very large sums involved here. I do not think something of this sort—the only times that I pick out relatively small amounts that I might still qualify for is when I think that there needs to be some exemplary qualification because of something that is wrong behaviour. In something like this, where the Department used its discretion in what to me would be a sensible way, I would be pretty confident that my predecessor, as I suspect it would be, would not take that view.



Q62 Chair: I think I am right in saying that one of the bizarre situations here is that if they recover the overpayment of carer's allowance for some claimants, they just have to then go and pay the actual disabled person their disability premium. You are just taking money off one lot of people in a very expensive way to go and pay it out to somebody else. Is there a way of shortcutting that system so we could just not do either and leave things how they have stood?

Sir Amyas Morse: Both parties would have to acquiesce in that. That is right, is it not? Therefore that makes it something that would have to happen by explicit election rather than in any other way. That makes it quite complicated to do that volume.

Joshua Reddaway: There are instances of overlapping benefits and complexities here where it is possible that the same individual that receives the carer's allowance, because their carer's allowance is found to be ineligible, should have been eligible for something else and they would get a top-up of the other benefit. Those are netted off; that is done. It is only in situations where it is going to another person.

You also have to think about it from their point of view. There is a debt aversion: people may not want the debt and may want to have it netted off, but the oddity here is the taxpayer has paid out a large amount of money over a long time that should not have been paid back. It is then seeking to reclaim that potentially over a long period of time and, on top of that, is now having to pay a lump sum payment to another party. From the household point of view, they have two lots of benefit and a long trail of payments going forward; from a taxpayers' point of view, they have paid out twice and are trying to reclaim.

Q63 Chris Stephens: I am going to take Sir Amyas's advice and ask Joshua the question first. One of the things that sticks out in the report and one of the problems identified is staff shortages in the Department. What did you uncover about why these staff shortages are taking place?

Joshua Reddaway: We set out in paragraph 3.9 in the report some of the reasons. There are a whole host of unfortunate circumstances coming together and the Department does try to, as it says, manage supply and demand here. It clearly underestimated the rapid growth in carer's allowance, which has essentially doubled over the last 10 years. It underestimated the attractiveness of working elsewhere in "the village". Anecdotally, we are hearing some of the pressures of where staff were going to on sites, and I think that is something you could explore with the Department about exactly what was going on there.

We felt, when we were reviewing these processes, that it was worth recording that they assert they are not meeting productivity targets. What they really mean is that these are quite old-fashioned, slow, ineffective processes that they are having to run and there were a number of places where there was duplication and so on in them. There is certainly an opportunity to improve what is going on there.



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Q64 Chris Stephens: That probably comes on to my next question, Joshua. Are you now confident that the Department has the resources in place to administer this allowance, the carer's allowance, effectively and to provide a good level of service to claimants, or do you still think they have some way to go?

Joshua Reddaway: I have to be sceptical. There are three parts in answering that. The first is just the resource position the Department is in. We are talking about relatively few staff that are needed in this space. We have been talking dozens. An investment of 33 staff was a big deal in the compliance here, in a Department of 75,000. However, the total headcount has come down quite a lot in the last five years. The resource position in the Department going forward is going to be tight. Again, it is worth asking the Department exactly what is going on there.

They have invested in a new system, VEPs. VEPs is an interesting system. It is going to highlight many more potential things that, if investigated, could find overpayments. That is only going to work if it is properly staffed. It looks like at the moment that it will increase the workload that the Department faces. That is a good thing, but only if it is properly staffed. At the moment it looks okay but it is too early to tout that as a complete success until we know whether or not it is being properly staffed and properly working.

Q65 Chris Stephens: Is there anything in your view then, Joshua, that the Department can do to learn the lessons about how it is allocating its resources and administering this benefit?

Joshua Reddaway: We would see this within the overall approach to fraud and error that we have been advocating for some time and the Department is trying to do, which is essentially: you try to identify the risks of fraud and error, you try to put in place controls that do that, you measure what is going on and then you keep on doing this iterative process. Within that we would expect to see individual resourcing decisions being made that are trying to find the right balance. Clearly, you can try to reduce fraud and error to the nth degree and it not be value for money to do so, but in this instance I think this is a really good case study of where the Department was failing to find that sweet spot between the two and did not really have that cycle in place. What it did have was a programme to try to improve the technology, and it has been improving the technology, but if you are not balancing both sides and testing what works and what is the right level of resource to put in, then it is not going to work.

Q66 Chris Stephens: I was just going to ask if there is anything you want to add on staff shortages.

Sir Amyas Morse: Just to say what is not all right is creating a wave pattern and then expecting people to pay up. If you do not manage to get on to these things when you need to, to get the work done on time, to pick up over and under payments reasonably quickly, then you have



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larger balances building up. Then all these questions of equity and fairness to people who really are not well off, not able to absorb it, it is not good for these variations to have to be absorbed by people who are on these allowances. It is not a desirable state of affairs, so it does need to be handled on a reasonably timely basis. That is particularly true when this sort of cliff edge penalty can occur. You could suddenly find people going from qualifying for this allowance to not qualifying in a relatively short step.

Letting that develop over a period of time can mean quite large sums of money relative to the circumstances of people who have to pay them. That is a reason you need to resource it consistently and make sure you are steadily dealing with everything on time. You just cannot let that keep building up, otherwise you will have complaints coming to the Committee on a regular basis if this is not handled properly.

Q67 Chris Stephens: In the view of your organisation, Sir Amyas, is the Department learning the lessons of the under-resourcing of carer's allowance benefit?

Sir Amyas Morse: We think they are. They are certainly listening. We are not accusing them of not listening, but what I do think—and forgive me just to go on a bit on this—is that there are other lessons in the case. These issues have been being flagged up for some time. They did not get a timely reaction. It took some time for the Department to get out of the blocks and start doing something about this. They are doing it now, but internal audit was flagging this up quite some time ago. They should have been moving on this earlier.

The real lesson is when you start hearing signals, don't take a long time to react because it does create this unsatisfactory position when you are looking at the circumstances of people who have very little resource. There are lessons there about listening, being receptive, not having a tin ear when you are getting told that things are going wrong. I think that is quite serious.

Chris Stephens: Thank you for that, Sir Amyas, it is very helpful.

Q68 Ruth George: There have been various reports that a lot of the concern has only been raised due to whistleblowing within the Department itself. Were you given access to reports by any whistleblowers within the carer's allowance unit and concerns that they had been raising, either now or in the past?

Joshua Reddaway: The whistleblower has given us permission to say that we have been speaking to the whistleblower directly, so yes.

Q69 Ruth George: Presumably, there have been cases raised historically, not just at this present time. I take what you are saying, Sir Amyas, about the need to not have a tin ear. Do you think that the procedures are in place for people to raise serious concerns about how people are being treated and then to make sure that those whistleblowers themselves who



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are raising genuine concerns about the people they are dealing with are protected going forward to make sure that they can keep their jobs and they do not suffer any victimisation?

Sir Amyas Morse: I have confidence that the Department has those procedures in place, but what I would say is it should not need the whistleblowers to have to be very persistent and determined in order to get a hearing. There needs to be a quicker reaction time. It is pretty tough on whistleblowers to say you are going to get heard only if you keep on and on. That is unfortunate.

I am the backup receiver of whistleblowing virtually across the whole of the civil service, so I get a lot of this and it is a pretty tough ask to be a whistleblower. It is quite important to recognise how hard that is and to make it difficult to be heard and be reluctant to listen makes it even tougher. We have a responsibility to whistleblowers that when they bring messages to Departments we need to—and I am speaking generally—react to them quite quickly so the whistleblower does not have to go—There is a route of alienation from the Department, which means the price for the whistleblower goes up and up as time goes by and, therefore, it is really important to listen quickly, to react quickly.

Joshua Reddaway: There are three distinct periods in this case. There is the period between 2010 and 2016 when this whistleblower was raising issues directly with the management and felt that they were not getting heard. It is interesting that at that time is the period when the RTI feed in particular was not being resourced properly and quite a lot of issues go back to then.

There is a period in 2016 when he raised specific issues. That is the time when the backlogs were starting. The internal audit report the first time gave limited assurance, quite strong words from internal audit, and then again internal audit looked at it in 2017 and again gave limited assurance and said, “These backlogs are growing, we really have to deal with that.” I think certainly the whistleblower told us that they did not feel that that was very adequately dealt with at that time.

There is then the third phase, which is 2018, and contacting essentially the new management of DWP. Of course, you then have the Committee hearing here in November, which I think is also, if not influential, then at least coterminous with the increase in management oversight of what is going on and our investigation.

Sir Amyas Morse: I put my money on influential, personally.

Joshua Reddaway: Indeed. It is definitely illustrative of the fact things could have been raised and escalated—they were escalated, but they could have taken attention earlier.

Q70 **Ruth George:** Basically, it was not until the whistleblower came to members of this Committee and issues were raised both here and on the



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Floor of the House that any effective action was taken by the Department?

Sir Amyas Morse: To be fair to the Department, it was starting to move. It was starting to move before that, but the lesson is: move faster, be more ready to receive these messages. I would say that is definitely the lesson.

Joshua Reddaway: You can see, for example, if you look at the way it tackled the backlogs, it did start to take action after the second internal audit in 2017 to deal with new claims, but missed that the outstanding change in circumstances backlog was continuing to grow and it was not taking that much action on the compliance work. That is because, I think, it had quite a lot of faith in the new system it was waiting for, VEPs, to come in. You are taking it piecemeal rather than looking at it in the round.

Sir Amyas Morse: It also probably just needs to apply a bit more imagination to what it is like being on the receiving end. That is very important.

Q71 **Ruth George:** The receiving end of the benefit system?

Sir Amyas Morse: That is right. Waiting and relying on a system and letting backlogs build up and then wanting to enforce them, you just need to keep thinking about what that is like to receive that.

Ruth George: Absolutely.

Q72 **Chris Stephens:** Joshua, I think you have touched on some of this in your answers to Ruth. Given that the majority of overpayments are caused by the claimant not telling the Department that their earnings have gone over the limit, and how the Department deals with this as a claimant error, given the volume of cases that there are, does the DWP not also have a responsibility to tackle this and look at its communication with claimants, for example?

Joshua Reddaway: Yes, what we would hope is that the Department—and the Department has acknowledged that it could work on its communications. We have put an example in the report of one of the letters and when I read it—I am a chartered accountant and I am reading it—I can go, “It looks perfectly clear,” but, to be honest, I am not the target audience. It is how these things land out there in people’s lives and whether or not they are properly taking it on board. I think that is why the Department told us that it is keen to look at this.

Given my hesitation that I am reading it and I have one reaction, I do not know what people’s proper understanding is because the Department does not know what the proper understanding is out there of these roles. That is where we would want to see a bit more.

Sir Amyas Morse: If I could just add something to that, the Department is making a decent effort at communicating here. The problem is not



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that, it is—and I am going to sound like a broken record here—that you have to imagine that you are someone out there who has irregular earnings who is going to find that they have perhaps not the most organised life in the world and so they have your communication, but since their earnings bump up and down or they do not quite know what has been put through in the automated tax return, they find themselves going above the limit by even a small amount of money and they are immediately penalised. Having a system like that makes it easy for distress to be created by quite small errors. When you are saying, “Do you understand this?” and “Can you cope with it?” they are not quite the same question. We are not really accusing the Department of not trying to communicate; what we are saying is they have a system with a cliff edge, which means that people can get caught out whether you are communicating or not quite easily when they have this sort of lifestyle.

Joshua Reddaway: I should also just add that within that large number of detected overpayments there are a large number of ones where they clearly knew the rules and did not follow them. Also, some of the largest were because people simply were not providing care. You cannot take it as a mass—

Q73 **Chris Stephens:** If you are over the limit by £10 you could end up being penalised because of your working situation.

Joshua Reddaway: As far as we could tell, looking through the data, there were certainly people who were massively over and there were some people who were just slightly over. There were quite clearly some that would have been caught out.

Chris Stephens: Thank you.

Q74 **Rosie Duffield:** I just wanted to talk about that a bit more as well, because you touched on people having chaotic lives. If someone is juggling care for someone at home and unstable work, are they supposed to communicate with the Department on a weekly basis or to phone in and find the time to say, “I have had an extra hour’s work” or, “Someone offered me something last week”? Are they meant to stay in touch that often? You were saying if they went over it; how clear is that and how do they manage that on a practical level?

Joshua Reddaway: The rules are they are meant to phone up or write to the carer’s allowance unit.

Q75 **Rosie Duffield:** Even with an hour’s extra work? What is this limit? There is a thing about them going over the limit. Is that an earnings limit or a work hours limit?

Joshua Reddaway: It is the earnings limit. It is quite low, around £120. There are the extra complications that certain things are allowed. It is net earnings. So 50% of pension contributions are allowed to be deducted, 50% obviously not. There are certain expenses you are allowed to deduct. You basically get to the situation where the best thing to do if you are not sure is to phone up and ask, and you will get good advice.



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Q76 Rosie Duffield: Would there be someone there who could advise on an even quite complicated case and get it right, and then they would not be being penalised for being overpaid? Or do you think that those mistakes might happen because someone is not quite sure on the end of the phone?

Joshua Reddaway: It is not something we audited. I am told that the person on the end of the phone is meant to provide that advice. I was quite interested in some of the evidence given by Carers UK here about that. They would know better.

Q77 Steve McCabe: I just want to go back to the whistleblower for a couple of moments. I read these suggestions that something was wrong, the report to senior managers and eventually all the way up to the Permanent Secretary, took place over six years. Did the Department offer any explanation of why it took so long for them to look at it?

Joshua Reddaway: Part of the issue here is that the Department thought it had looked at it because it put in place these internal audits. The internal audit reports raised the right issues and the management took some of the right actions. I think it is just really about a level of prioritisation during that time. Did they say, "This internal audit report says I need more people; therefore, I need to put more people in"? They put some of the people into some of the process but not all of the people into all of the processes. That is essentially what happened.

Q78 Steve McCabe: What I am trying to understand is, sure, it was a question of priorities, but did they offer any explanation? Did someone conclude it was not that important?

Joshua Reddaway: There is nothing I can point to that would—

Sir Amyas Morse: To be fair, it is important to realise—and Joshua explained this earlier—that there were stages of points that the whistleblower was making during that six-year period. The Department probably felt it was reactive to different points that were being made during that period. It is not like everything was said at the beginning and it just lasted for six years. That sounds more dramatic than I suspect the process actually was.

The fact that there was a continuing set of communications should have alerted the Department to take more action; we do think that. It never quite took enough action. It never took enough action to get ahead of the problem.

Q79 Steve McCabe: I only raise it because it is funny that Government Ministers spend their entire time telling us how anxious they are to deal with fraud and error, yet here is the Department apparently not seeing it as that high a priority. That is why I raise it.

Let me ask you about something slightly different. The Department seems to have a rather rigid debt recovery policy and I read somewhere



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that if a person is on benefit it could take 34 years to repay the overpayment in carer's allowance. Do you think there is an argument for having a proper evaluation of the debt recovery policy and particularly its impact on the carer and the disabled person?

Sir Amyas Morse: Yes, I do.

Q80 **Steve McCabe:** Have you recommended that is what should happen?

Sir Amyas Morse: We did not recommend it in this report. Sorry to be boring, but this is the investigation we have done. We think that is in the policy area and saying, "Are we going to take a different view of how we pursue debt?" is something the Department needs to think about. My remarks at the beginning about taking a view on an administrative basis I think were designed to address that. What I said to you at the very beginning is designed to address that.

Q81 **Steve McCabe:** Am I being unreasonable if I say that it would appear the Department has a slightly lackadaisical attitude to tracking fraud and error, but it certainly has quite a robust attitude to taking money back, irrespective of the consequences for the individual, once it is clear that there has been a problem?

Sir Amyas Morse: I think that is a bit tough, if I am honest with you. You might ask why am I being uncharacteristically nice to the Department.

Steve McCabe: Far be it for me to say that.

Sir Amyas Morse: It is only for this reason, and forgive me, I am being frank. I would rather focus on the actual issue that might make a difference rather than simply take a shot at the Department. This is a relatively small benefit in the scheme of things. Fraud and error in the round is an enormous set of numbers and they are not expected to come down very much as universal credit is being implemented. There are some really big issues there. The Department knows they are big issues. They are not easy; we do not think they are easy. We are doing another study on fraud and error, so I do not think either we or the Department think this is a minor issue. We know it is really important.

As far as enforcement of debt is concerned, I suspect the Department is struggling with the fact that it does not want to create a precedent about forgiving debt that might be applied across the system. That is why, in my not terribly subtle way, I am trying to say, "Why don't you use some of the discretionary provisions you have to do something that doesn't require you to make a decision that might have very much more significant financial consequences across our system?" I am sorry if I have not put that across, but I am trying to be as clear as I can. That is where I am trying to go with my answers to you.

Q82 **Steve McCabe:** You think it would be useful, certainly for carer's allowance, to have some evaluation of the impact of the recovery?



Sir Amyas Morse: I do.

Steve McCabe: Thank you.

- Q83 **Ruth George:** I was interested in how hardship affects individuals. I have a constituent at the moment who is being told she has an overpayment of carer's allowance because she has fluctuating earnings. She has been told that she did not specifically declare that she had fluctuating earnings and use those words. Although she also declared that she had childcare payments, she was not asked for the amount and so did not give them. She is, therefore, being told that she cannot claim those childcare payments and they are going back over a period of time to claim the weeks in which her payments took her over the earnings threshold. Is that a fair way to be treating individuals?

Sir Amyas Morse: It does sound a little bit "Alice in Wonderland", the whole thing, doesn't it? You listen to it and think people are on the phone trying to work out, doing quite complicated perms of things in order to try to comply with these rules. It does sound like an odd way of doing things that make it very easy for things to go wrong. I suspect that is the problem, or for people to make mistakes or just not have time to sit on the phone trying to get in touch and have these conversations.

That is why I am urging more understanding of the circumstances of people and the difficulty of complying—assuming they want to comply, the difficulty of complying. Also, I think being a little bit more relaxed about collection and possibly also enforcement.

- Q84 **Ruth George:** I was quite interested in your response that as a chartered accountant you understood from the carer's allowance letter to claimants exactly what they were supposed to be doing and how the rules operated. As a tax accountant, I must say that I did not understand it as clearly, particularly the allowances that can be deducted, which are not made clear either there or—

Joshua Reddaway: Let me be very specific. As a chartered accountant, I can understand paragraph 2 of the letter that says you can earn up to—and we had an old one, so it is the old limit—£116 each week with work you do with an employer or self-employment after taking off certain expenses before your carer's allowance is affected. That is a very clear statement. The clause that you refer to is after taking off certain expenses. I could find nothing on the internet or in the official forms or guides that explains what those expenses are. I have looked at the manual for benefit advisers and how that is given and I would say that is not clear. It is something you need specialist training in in order to understand what those are and that is why you are left in the position as I said before. If you are in any doubt you have to end up phoning up.

I found this interesting report, slightly different topic, on universal credit by the Child Poverty Action Group about the information available to claimants on their electronic claims. I think some of the same principles apply here: is it made obvious to you as a claimant which elements,



when you are given a statement, you have been found to be eligible for and ones you have not? For example, is it obvious to you that your childcare has not been taken into account? No, it is not because it does not say, "By the way, we have not taken it into account." Some of those principles would be incredibly helpful in the way the Department communicates and I think it is something they will be listening to and taking forward.

- Q85 Ruth George:** Just on that paragraph as well, it says, "Your carer's allowance will be affected." It does not say, "You will lose it the moment you earn a penny over the earnings threshold." It could certainly be clearer, would you agree?

Joshua Reddaway: You have a point that it does not say that it will be stopped.

Sir Amyas Morse: I agree.

- Q86 Ruth George:** As the vast majority of benefits are paid on the taper rate. You mentioned universal credit, and obviously fraud and error levels are at their highest under universal credit, about 8.6% at the moment. Are there any lessons from dealing with carer's allowance that could be applied across to universal credit?

Joshua Reddaway: I am sure there are, that is why we are going to do another study looking exactly at that in depth and trying to work it out.

Ruth George: Excellent.

Joshua Reddaway: The key things I will take away here are about that iterative process of working out where you deploy your resources, how you improve controls, about taking action as early as possible, certainly in the communication that we have just talked about. I am sure there is lots. That is the general approach the Department is taking. What I am interested in finding out in the new study is how well are they doing that and is there anything we can observe at a very granular level. This is not a big fight at the top-level issue, this is about the granularity of administration and whether or not it has been done control by control. It is tricky, difficult stuff.

- Q87 Ruth George:** Tricky, difficult stuff takes a lot of qualified, experienced staff to do that. In your view, is the Department's spending package for the next year or so going into this on administration capable of administering that granular approach and the individual approach to hardship that you have set out is necessary in order to avoid it?

Sir Amyas Morse: I think the Department will appreciate the support of the Committee as they approach the spending review with any advice you can give them on making sure they are adequately resourced in this area. Of course, they could have more resource. On the other hand, what I am sure the Treasury will say is it is a big Department, they have a significant amount of resource. There is a combination of more resource



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and being better organised and the two things need to work together, understanding the problems more clearly, being better organised. There are still challenges there as well as that, it is not just simply a question of having more resource.

- Q88 Chair:** This Committee looked at fraud and error a few years ago. I think that the Public Accounts Committee did a session on it as well. One of the recommendations was that they should set targets for each different benefit, so they could check whether they are complying with them or whether there are any issues cropping up. I was a bit surprised to read in your report, around figure 7, that the estimates for fraud and error in carer's allowance were based on a study done in 1996-1997. It does not suggest they have a great handle on what the problems might be. I suspect there are one or two more people claiming carer's allowance now than there were in 1996-1997.

Joshua Reddaway: Like you say, it has doubled in the last 10 years. Yes, we have been saying for a long time that they ought to measure it. The Department has now committed to measure it next year. That will be a one-off exercise.

The problem if you do not measure it is that they have doubled the number that they are detecting overpayments in the last year and they do not know if that is a good thing or a bad thing. It is probably a good thing because, as we said in the report, there are reasons why they are detecting more but it could just be that the underlying prevailing rate of fraud and error has ballooned and we do not know. That is why you need to measure it. If you are going to do that iterative process of improving and identifying what works and what does not work, then you need to measure it. The difficult challenge they have in measuring it is that it is really expensive and time consuming because it requires lots of people going through each claim, a sample of claims, checking that it has been correct and contacting the claimant and going through, essentially auditing, the claimants' lives to check that it is done. It is a big exercise, but it is one that we have said is worthwhile for the carer's allowance.

- Q89 Chair:** Those historic measures assume that the rate of claimant error was 1% and the rate of fraud was four times that at 3.9%. From all the evidence I have had anecdotally, you would think that error would be a much higher proportion than people setting out to deliberately defraud the system. Would you agree that those levels just look a bit out of line with what you have seen from the evidence?

Joshua Reddaway: It would be strange if the same rates from 20 years ago are accurate. We were trying to work out, is there a review as to what is the actual rate of fraud? All we can basically say, because fraud is a difficult thing and the burden of proof is quite high, is when you look at the detector levels, when you get to that 10%, just under 10% are found to either be fraudulent or a civil penalty is applied. There must be a range within there where there may well have been an intention but not to a burden of proof. You are right, these statistics would suggest that the



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majority is fraud and that is not the pattern of behaviour that we are seeing from the Department in its prosecution policy. I await with bated breath the new stats in 2020.

Q90 **Chair:** No doubt we will all be here again—well, not all of us, Sir Amyas, because it is probably your last appearance.

Sir Amyas Morse: Sadly not me.

Q91 **Chair:** Depending what you do afterwards; we never know where you might turn up. Do you have any final reflections on the Department or this field that you would like to share with us?

Sir Amyas Morse: All right, very quickly. First of all, this is not easy stuff. We are talking about mass application for people who are mostly in difficult circumstances and people seem to generate quite complex rules. You think, in modern systems terms, whenever you have complex rules, what would be really great to make them work through is if we had a live information environment and we knew what was going on—if we were not doing a special measurement exercise every year, but knew pretty much what the stake was. That would require an approach to rule making on benefits and allowances that was much less detailed and picky than what we have. We have to live with the fact it is not going to be like that.

This is always going to be, for the foreseeable future, unless there is a big change in philosophy, a quite complex and difficult area. I am not sure that universal credit has made it that much simpler on what we have seen so far.

The one point I would make to the Department is I think the Department carries a heavy burden and it is constantly being challenged and gets a lot of criticism. This is a point we made in our last report on universal credit and I think it is worth repeating now. Those pressures that I understand and are sympathetic to can lead to the Department becoming not very receptive to signals from either user groups or charities or others who are often heard to have a critical voice. You cannot let things resolve themselves into an “Us and them” environment. If you find that the teams who are running things in the Department develop a defensive attitude, they do not want to listen or if they are getting feedback that does not fit with their view of things, they are very slow to take it on board. We might be looking at some examples of that in this report.

I think that, however hard it is, you want team spirit, you want team loyalty but, on the other hand, people need to keep on listening to the reality out there. I think that is hard for all of the Departments, but particularly those where they have long-running tough programmes to run like this one. Therefore, I am not trying to say anything very negative about the Department, but this idea of groupthink and not being that receptive is something— I believe the accounting officer understands this and shares the need to keep very open and listening. It has not always



been the case and in recent history I do not think it has always been the case. That is what I would leave you with.

If the Committee keeps pushing for that—a receptive attitude, notwithstanding the difficulty of running the system—the system still stay receptive and sympathetic to the circumstances of the people you are dealing with. That is not just a pious comment; it makes a difference to how well the system works and whether it produces satisfactory results.

Q92 Chair: That is a very helpful message for us, Sir Amyas. We are very grateful for the help and support your team have given us and the great work that you do, which helps and informs our work. We wish you all the best for your future endeavours. Thank you both.

Sir Amyas Morse: Thank you.

Examination of witnesses

Witnesses: Peter Schofield, Emma Haddad and Laura Squire.

Q93 Chair: Welcome to the second part of our session. Peter, could you introduce yourself and team for the record, please?

Peter Schofield: I am Peter Schofield. I am the Permanent Secretary at DWP. I am joined by Emma Haddad, who is the Director-General for Service Excellence in DWP, and by Laura Squire, who is the Deputy Director for Fraud and Error.

Q94 Chair: Thank you. Obviously, you have heard the previous session; you have seen the report. It seems pretty clear that you are now detecting overpayments that you probably could and should have detected much earlier. Why did you not do the job properly all along and stop this building up to the level it has and putting people in arrears that did not need to have been got into?

Peter Schofield: I just want to say that I welcome the review that has been done. I welcome the report by the National Audit Office. This is an area that we wanted to look into. As this Committee knows, I commissioned my own review from our own internal audit, which was produced over the course of the last few months and the NAO had access to it.

I also wanted to support Sir Amyas's last words there, in terms of the culture that we need to develop as a Department. I want us to be a Department that is listening, which is open and engaging, particularly in terms of how we engage with outside partners and those who support groups whom we serve, including carers. I have had a great opportunity to spend a bit of time last week with Carers UK in preparing for this hearing.

In terms of your question, the report identifies a lot of challenges here that go back to the fact that we have seen volumes of people on carer's allowance increasing over the last 10 years, doubling pretty much over



that period of time, and particular resourcing constraints that we faced over the period from around 2014 onwards. That is flagged up in the report. At the same time, we have had access to data-matching mechanisms, which over a period of time have got better but in the past were not very accurate at all. I think you see in the report accuracy rates on data matching of the old paper-based so-called RD23 system of something like 6% to 8%.

The challenge for us has been how much resource to put into what can sometimes feel like chasing a needle through the proverbial haystack when at the same time we have pressures to drive down our backlogs in terms of processing the work. The priority, which you can see in the charts, through 2017 was getting new claims processed. We saw a backlog of new claims reaching a peak. What we really want to do is make sure those people who are entitled to carer's allowance who make a claim get it and we sort that out. We saw that falling away, we then saw the opportunity to tackle both the matching through new technology coming through, which is more accurate, and also the opportunity to address the backlogs on changes of circumstances, which also reached the peak towards the end of the last year, which we have now got back down to the level we would want it to be at.

We have learnt a lot in this process and there is a lot for us to work on on the basis of this report.

Q95 Chair: You said that you were keen and committed to doing this but the first whistleblowing on this was nine years ago. It took quite a long time for your Department to get a handle on this, didn't it? Is that really an acceptable level of performance? It took so many rounds of whistleblowing and a Select Committee session before you got moving on this.

Peter Schofield: I do not think it is fair we did not get moving on it before that. As Joshua said just now, we have a process of whistleblowing procedures that are looked at by outside bodies such as the Civil Service Commission and a whistleblower would take their points up through the management chain. As the report sets out, in 2016 the whistleblower raised this with my predecessor. You then saw action being taken in terms of internal audit being put in to have a look at this. You saw action in the way I have described in terms of resourcing to address some of the backlogs on new claims and then over a period of time you have seen other backlogs being addressed.

Do I think we need to respond more quickly to some of this? Yes, I think we can. One of the big challenges of resourcing a Department like ours is that when, if—hopefully if in the future—backlogs build up, then it takes an awful lot of effort to turn them around because a backlog creates its own work, quite naturally. Customers are phoning up and chasing their claim and that is additional work to address. The right thing to do is to be able to spot the pressures building before they emerge. There were opportunities to have done that in the case of carer's allowance earlier



on, because of course there is a link, as the report says, between claims on PIP and claims on carer's allowance. When we saw the build-up in claims on PIP we should have then said there is obviously going to be a build of work on carer's allowance and we should have got ahead of the curve.

On a lot of the points that Sir Amyas was saying just a moment ago around being ahead of the curve, these are lessons I feel we are learning, but it is good to have this challenge to know how far we have to go on this.

Q96 **Chair:** You have slightly glossed over the fact it was six years from the first whistleblowing before anything really happened.

Peter Schofield: I think you were seeing action through the management chain, but the work that we have been doing in terms of reviewing what happened in the light of the whistleblower investigation, you saw the NAO review started in 2016 looking back to that point and I have also looked at internal audit that was commissioned in the light of that and other data that we had coming in over the last two or three years.

Q97 **Chair:** Claimants do have a right to expect the Department to enforce these rules, don't they? I accept that claimants have a duty to keep information up to date when they have change of circumstances, but we all have a right to expect that you administer these things competently and you do not lead people into trouble by not checking the information that you realistically have. Do you apologise to all those claimants who now have pretty large overpayments in some cases and are suffering losses of income for the fact that at least a proportion of that situation they are in is down to the fact that you did not have processes in place to check this situation out a long time before you did?

Peter Schofield: The most important thing is to create the environment in which claimants are able to report changes of circumstance to us. There is some challenge in the report, quite rightly, about the quality of communication. Like Joshua and Sir Amyas, I have also been looking at those letters; appendix 2 is the one to look at. At one level it is clear but, sitting down with Carers UK looking at this, there is no doubt that we could try to improve some of that.

The key point for carers is if there is any— This is there; it is in the letter. Some of this is in page 3 and page 4 rather than page 1, but it is there. The key thing is that if there is any change of circumstance, just let us know and we need to—and have—make it as straightforward as we can for people to let us know. They can let us know online, they can phone, they can write to us.

Once you have done that, then it is no longer a risk of claimant error. It is down to us to address that. That is the key point. Remember our work around data matching and the like; that is part of a wider strategy to



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clamp down on levels of both overpayment and underpayment. They will always target that aspect of data that points to where the biggest risk of over and underpayment is. The real focus for claimants is just making it easy for them to understand their responsibility to let us know and to make it easy for them to report a change of circumstance.

Q98 **Chair:** Do you apologise for the Department's role in the fact that there are now many thousands of people who are suffering some level of hardship because you were not on top of this for as long as you ought to have been?

Peter Schofield: I am pushing back on the point about hardship, only in the context of what the report says around the hardship regime that we work. What we are trying to do through recovery is, if it is a genuine mistake, we ask for the money back that was the overpayment, but as part of that process—and I have sat with agents in our debt management offices as they have done this—it is a genuine conversation about how much people can afford to pay back. That tends to be, in my experience anyway, led by the claimant saying, "This is what I can afford." I think it was a challenge from Mr McCabe earlier to the NAO saying it looked like a very rigid approach to repayment. I don't think it is. I think it is the opposite, because what we are trying to do is give people as much time as they need to pay it back. In one case you have the 34 years; that is because we are giving people a very long time to pay back.

Q99 **Chair:** It is because it is a very large amount of money, isn't it? It would have been far better for them if you had discovered that years ago.

Peter Schofield: There is a large amount of overpayment in that context, I accept that.

Q100 **Chair:** But you are still not keen to apologise for your role in allowing this level of arrears to build up. It would clearly be a better system if all your data-matching alerts had been investigated and people who were not entitled would have had their claims stopped much earlier rather than in 2018.

Peter Schofield: It is very easy to put ourselves back into the feet of people back then, but the challenge you have goes back to the accuracy of those paper-based matching methods. They were between 6% and 8% according to the report. You have a choice, and you heard a little bit about that exemplified by the NAO earlier. Leadership of DWP have always had a choice about where we put our resource. We have finite resource. This Committee knows about the expenditure pressures that we are under. If you put finite resource on chasing those 6% to 8% possible alerts rather than paying people's new claims, processing changes of circumstance, chasing after the very biggest risks of fraud and organised crime, then you may have got the priorities wrong.

There is more opportunity now with the new technology under VEPs that the report describes. There are daily alerts. We can be real time on this. We can prevent overpayments in some cases before they happen. We did



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not have that technology before. When you have better technology, it means it is worthwhile putting resource on to that because it is going to be a more effective use of resource. Where you do not have an effective technology, which was the case with the paper-based methods, I think it is questionable as to whether putting a lot more resource on that and taking it off other really important aspects of what the Department does would have been the right choice.

Q101 Ruth George: There are a few things from that. On the clarity for claimants to declare change of circumstances, I was promised by the Minister last November in the Westminster Hall debate that the communication to claimants around carer's allowance would be clarified. They are told to declare a change of circumstances, but if you are paid £125 instead of £124 people do not see it as a change of circumstances. It is simply that they did another 10 minutes of work. There is not clarity around that. Do you think that that letter should have been clarified before it went out this April?

Peter Schofield: We are doing work with Carers UK and we are kicking that off. We have kicked that off and we are doing work on that—

Q102 Ruth George: It is six months since I was promised it.

Peter Schofield: Bringing you into about how difficult this is to do, the letter is generated by a very old computer system and making changes is difficult. It is not impossible, it is difficult, which is why we are working to do two things. One is what we can do within the parameters of the existing system to improve the letter and also what we are doing in terms of upgrading the computer system, which we will have much more progress on over the course of the next 12 months.

The key challenge, Ms George, I go back to—and this is what the letter does say—is if there is any change, if you are being paid any more, effectively, then you must let us know. That is there on page 3 of the letter. It has clarity—

Ruth George: It doesn't.

Peter Schofield: I want to make it more clear.

Q103 Ruth George: I do not think that is a great excuse. Back to the whistleblower issue, I am afraid the experience that we have highlighted would not particularly feel enabling of anybody within the department who was concerned about how processes were being managed to raise their concerns if it takes this long and that amount of concern. Most people would leave a job that they were frustrated with in that amount of time. What are you going to do to make sure that whistle-blowers are, first, listened to and, secondly, protected when they raise concerns going forward? Because I think this exercise has shown that they are very much needed.



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Peter Schofield: I think that it points to a wider point, if I might say as well, which is how we make sure that the opportunity is there for colleagues all across DWP to raise concerns, and not just concerns, but suggestions, improvements. It is part of a wider culture here. How can we make that the culture in DWP so we can get better at what we do?

There is something about the whistleblowing regime, which I am confident in, but I think we need to do more and to build on a culture where we listen to each other and that is part of what we do. There are ways that we do this. Some of our new systems enable us. At every point in the system a point comes up saying, "What do you think we could do better on this system?" and colleagues then feed back. I see those changes being made sometimes on some of these systems on a fortnightly basis.

I go out. I spend a day or so a week each week out and about talking to colleagues all across the country and it is very informal, "Tell the Permanent Secretary what you want to tell the Permanent Secretary about what is going on." There is part of the culture that we are changing. There is the whistleblowing process. That is a formal process, fine, and it is important, but I want this to go beyond that in terms of the overall culture of the Department and how we work.

Q104 **Ruth George:** Okay. The whistleblowing process going forward should not involve a whistleblower having to come to this Committee to see their concerns dealt with. Will they be dealt with and that person protected?

Peter Schofield: Absolutely. I would argue that the whistleblower's concerns were already being dealt with before that, and you have seen some of that in the timeline in the NAO report, but absolutely. I would rather people did not even feel they needed to go through the whistleblowing process anyway because I want the culture to be one where we feel we can share our views and that leaders all across DWP are open and accessible and it is safe for everyone to challenge. That is exactly the culture I am seeking to create.

Ruth George: I would hope so going forward, but I am afraid some of the Twitter accounts from anonymous staff in DWP do not lead us to believe that that is the case.

Q105 **Chris Stephens:** I may have missed this, Peter, and forgive me if I have, but people watching this will be asking this question: what is the Department's policy on debt collection? What is the timeframe from informing someone? What time are they allowed to repay? What is the follow-up procedure, or is it that the debt collection policy is the same for every benefit? Could you maybe just enlighten the Committee on that?

Peter Schofield: Laura might want to come in on this as well. First, the most important thing is if you have had a change of circumstance, let us know. Then it becomes an official error if we do not do anything about it rather than a claimant error and there is nothing to worry about. If we have overpaid and if it is in the category of an overpayment where we



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need to recover, then the contact happens between our debt management unit and the claimant. You saw in the report there are limits, upper limits, on what we can deduct from benefits, but we have an open conversation with the claimant in terms of their personal circumstances.

Often people who are in work or who have come off benefits are in a position in which they just want to pay it off in one go, fine. Some people will pay it off out of their benefits and are willing to do it at the limits that you saw in the report. Also, if people say, "Look, I cannot afford that," and talk to us around their expenditure and their income, then we will talk about what they can afford and we will set this at a level that they can afford to pay. Obviously, that is when we are talking about genuine cases. If it is a case of fraud—and I am not going there—there is a whole different set of collection approaches. That is very much how we seek to work in debt management. That is why you see in the report a whole series of different claimant rates—

Q106 Chris Stephens: Who decides on the approach then, Peter? Obviously, you have indicated to the Committee different things happen to different people because of different circumstances, different conversations, so who makes the decision as to what approach is appropriate then?

Peter Schofield: The decision is made by debt management, by the agent, but in all the conversations I have listened to it is led by the claimant saying, "This is what I can afford." I have never heard—but it may be—of a situation where the claimant has said, "I can only afford this," and the person has said, "No, I am going to push it at this level." Laura, I don't know whether you want to add to that.

Laura Squire: The only thing I would add to that is it is not in our interests to set up a repayment plan that will not last. We need to look for sustainable ones, so there would not be any point in us doing what Peter has just said of saying, "If you cannot afford this we will push you for a higher amount," because all that would happen then is the repayment plan would break down. Our agents work with guidance and they are looking for a sustainable repayment plan that will last.

Having said that, if there is another financial change someone can come back to us again and we can readjust that if that first payment—

Q107 Chris Stephens: Who would make the decision to decide whether an overpayment should be written off or part of it is written off? Who would make that decision? I think that people who are watching this would like to know that.

Laura Squire: We would have specialist decision makers on that. There are some very clear reasons why we can write off; for example, if it is below the economical limit. There are conversations that happen if somebody says that they are in hardship or difficulty or the repayments are having a detrimental effect on their health or the health of the family.



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That is within our guidance that people are empowered to consider that in the circumstances.

Q108 Rosie Duffield: You were talking about the change of culture and I just wondered if the people at the top of the organisation do ever meet groups of carers or people directly. There are a lot of people in between you, for example, and the carers themselves, the claimants themselves. Do you ever have roundtables or meetings where you go to meet them and discuss their personal lives? I was sitting here watching you making excuses when Ruth said that it is months and months since she asked for a particular report or some clarification on something, yet somebody sitting at home with an incredibly difficult and stressful life is punished for not having the resources that your Department cannot seem to use to get us answers within months, and they are someone who might have done an hour's extra work. With all the resources at your command, if you cannot meet your deadlines and targets, do you have any concept of how it is that somebody who may be looking after someone with a severe disability, trying to juggle childcare and work, feels when they are punished for not getting something to you within a few days or weeks? That seems to be a huge disconnect.

Peter Schofield: I think you make a lot of good points here about what it is like to lead to organisation like this and it is a priority for me. This was a challenge that the Public Accounts Committee put to me in one of my early hearings soon after I became Permanent Secretary. It was: how do you get out and about and hear the voice of partners and claimants and customers of DWP? What I try to do—and I cannot do it every week—each week is get out and about and be in a part of the country where I can meet partners from that area, and sometimes through the partners then get introduced to claimants, people who are facing complex needs, some of the most vulnerable people that we support, and hearing it from them.

That takes me into a number of different places. It is an amazing privilege to be able to be invited into people's lives sometimes and see some of that and seeing what we do from the point of view of the customer. I would give you one example of that. I have just remembered it because it was also a Wednesday and I had spent the morning in the Palace of Westminster on various meetings in this grand place. Then I got on a Tube train down to South Wimbledon and went to a Salvation Army hall where we have a DWP outreach worker there in a homeless drop-in centre. I sat down with people who were trying to claim universal credit and listened to the challenges of claiming universal credit when you do not have an address. What I learnt from that is what we can do differently and how we can change that. I think part of it—

Q109 Rosie Duffield: So that did inform your policy-making decisions?

Peter Schofield: I'm sorry, I just give that as one example. I think that it is important for someone in my position. It is a busy role and a lot of what I do keeps me in Westminster or Whitehall for understandable



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reasons, but I think that it is incumbent on me in my role to spend some time when I can out and about. It will always clearly be a snapshot. Ultimately, there are 20 million people who, one way or another, receive some support from DWP so it is always going to be a snapshot, but it is important.

That is a culture that I am trying to set. When I take directors away, the top 50 leaders in the Department—which includes quite a number of directors who are corporate centre people, finance, which is my background before coming into this role among other places—I say, “Right, for the morning I am going to send you out to a front-line office somewhere and you can experience some of the front line of what we do”. It goes back, I thought, to Sir Amyas’s wise points around this being an organisation that sees what we do from the point of view of the people that we serve.

That has not answered your specific question about carers. Personally, my first meeting with Carers UK was last week but colleagues are interacting with Carers UK on a regular basis. Part of the work we do going forward on communication has to be informed by Carers UK and others who represent the people who we are trying to inform and trying to engage with so that they can give us the information that they need to give us so we can pay them right first time.

Q110 **Steve McCabe:** I just wanted to check, Chair, that I had understood the answer to the question about recovery. Am I right in thinking that where you identify an overpayment you notify the person, they are then entitled—or a representative trying to help them is entitled—to negotiate the level of repayments and the period of repayments with you, and then that is passed to a debt recovery agency? Is that how it works?

Laura Squire: No. We don’t do an awful lot with debt recovery agencies, although there are some.

Q111 **Steve McCabe:** Who are the agents in this case?

Peter Schofield: DWP colleagues.

Laura Squire: Yes. It is all within DWP colleagues, so it does depend on how the debt is being recovered. If we take the carer’s allowance debts, for example, there are probably about half of those where people are no longer on any benefit whatsoever. In those circumstances, we would not be doing deductions from benefits. We would ask them first for a voluntary arrangement, but that is a conversation if that would suit them. If they have earnings, then we can do a direct attachment to their earnings, but again that comes after a conversation. That is how we would do that. That is all DWP that would do that. There are some cases that go to debt recovery agencies, but generally because we can use direct attachments to earnings we do not need to.

Q112 **Steve McCabe:** You may not be able to tell me this now, but is it possible to say what proportion of recovery is dealt with through



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attachment of earnings and debt recovery agencies and what proportion is dealt with by some other method?

Laura Squire: Yes. We have that data.

Peter Schofield: Shall we write to you on that?

Steve McCabe: That would be helpful, thank you.

Q113 **Chair:** Mr Schofield, you uttered that entirely immortal phrase, “Don’t worry, it’ll all be fine, we’ve got a new IT system coming along”—maybe not in quite those words. How confident are you that your VEP system will fix this problem?

Peter Schofield: The VEP system is part of the solution. The starting point is having a relationship with claimants such that they know and can easily let us know of changes of circumstance because that is going to be the best way of addressing this.

The VEP system we have rolled out. Carer’s allowance is one of the first benefits we have rolled it out on, but we have already rolled it out on pension credit and we are seeing the success rate around 50%. Where there is an alert, around 50% of the time it is taking us into the right place. It means we can use our resources quite effectively and I am hoping that in carer’s allowance we get to that point as well.

The only thing I would say—and it is mentioned in the report around the limit to automation—is that the thing about carer’s allowance is that earnings threshold is a net figure that you look at after you have deducted all the various things that are mentioned in the report. We cannot make a direct match to what the HMRC real-time earnings information is telling us and whether someone is above the earnings threshold. We might get an RTI feed that says someone is above the threshold in earnings but then that triggers a conversation with the claimant. You say, “Do you have any relevant deductions?” I know from Carers UK that the ability to deduct is something that is valued. The ability to cover alternative care costs through a deduction is valued by carers. Those deductions are important, but it just means that automation is not a direct one. You have to have a conversation about people’s deductions as part of the decision.

Q114 **Chair:** Are you still confident of £136 million of savings from VEPs by reducing carer’s allowance fraud and error? Is that what you are expecting by 2025?

Peter Schofield: Yes, it is but we keep this under review and I imagine the NAO will look at this very carefully in the review that Sir Amyas mentioned.

Q115 **Chair:** How many alerts do you think VEPs will give you to investigate or at least consider on carer’s allowance a year?



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Peter Schofield: That depends on how it works, but I don't see why we should not get as successful a success rate as we are getting on pensions credit. The report itself has a table, doesn't it, with the number of alerts?

Q116 **Chair:** Yes, paragraph 3.18 suggests that you might—I think originally you were expecting 380,000 alerts but you have got that down to 75,000. That is still quite a lot of—

Peter Schofield: Chair, I was looking at figure 10, which breaks it down between the different ways in. On VEPs, which is the bottom one there, average monthly matches flagged: 6,250; number of flagged matches investigated for the month: 2,000; and there is no backlog I think that is saying, isn't it?

Q117 **Chair:** That still assumes that each of your 33 full-time staff have to investigate about 200 cases a month each. That is quite a lot, isn't it? It is about 10 a day.

Peter Schofield: Yes, but if it is a much more effective system and it is coming up with daily alerts, then you should be— I know that the NAO has made that comparison back to what has been done in the past, but with the new technology, which is more accurate, I do not see why we should not get there. We will obviously keep that under review.

Q118 **Chair:** What about all the historic stuff? Presumably, people who were in the system before but are not currently claiming will not trigger your VEP alerts. Are you just going to forget about the history and not look back at those that are not now claiming or will there be some other process where you keep trawling back and trying to find historic money to get back?

Peter Schofield: No, because there is a limit to whether that is a sensible thing to do with resources, let alone everything else. The report talks about how we are going back and taking a sample just to see whether these are checks that could otherwise be left until there is a VEP alert. We are basically taking a risk-based approach here. We would focus on the ones where there is more likely to be a larger amount of overpayment that we need to address.

Q119 **Chair:** What are you going to do for those 30% of people in receipt of carer's allowance that you cannot use VEP on because you do not have things like their date of birth, so you cannot match them up? Are they going to get off scot-free or are you going to try to find a way of dealing with them?

Peter Schofield: Of course, we have the other matching arrangements available for them, but our plan is try to address these software issues as quickly as we can so we can roll this out more broadly.

Q120 **Chair:** As a last one from me—Emma, we have not heard from you yet, so you might feel that you are missing out. I think that you have one of those optimistic job titles of Director-General, Service Excellence Groups.



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What does service excellence look like, then, for people who are claiming Carer's Allowance?

Emma Haddad: Thank you. It is a very new job title and a very new job. It is part of our reorganisation within DWP so that we do make sure we properly focus always from wherever anybody is sitting, corporate centre, colleagues, as Peter said, as well as our front-line staff, on the customer outcomes and what we are trying to achieve, the kind of service we are trying to deliver.

In my new role, one of the first things I have done is set up a new board. It is called the service transformation board. We took carer's allowance as pretty much our first example and said, "It has a few issues. It has been untouched and unloved in some ways for quite some years in terms of technology. The policy has not changed dramatically over the years. We have some clunky processes that could be much more efficient. We have a huge amount of very experienced and dedicated staff, but we are not necessarily giving them everything to do their job the most efficiently. What can we do by joining up across the Department to look at the way that we operate this product and give the customer the best experience?"

Going back to the communications issue, looking at our letters but also looking at how we use SMS texting: hardly at all at the moment. We are trialling one. I think that we could do a lot more there, not just rely on hard copy letters. Looking at gov.uk—

Q121 **Chair:** You will text carers and say, "Have your circumstances changed? Did you earn more than—"?

Emma Haddad: We might. At the moment we are trialling it with, "We have received your claim. You will receive your first payment on—", so at least they get that information and do not have to take the time to call us and check. It may well lead to a, "Have your circumstances changed?" I think that would be a good way of reminding people that you need to let us know so you do not build up overpayments. That is in its early stages.

In general, automation is another one that we have not introduced in carers at all. Are there ways to automate some of the processes that our staff currently have to do, which are very manual and inefficient, and free them up to do the work where we need human judgment to take the best, sensible decisions with our claimants?

Q122 **Chair:** Wouldn't it be far better if we just had a nice taper on this benefit? Wouldn't that be one of the service excellences that would make this a whole lot easier?

Emma Haddad: Operationally, a taper is pretty tricky to administer, and my policy colleagues will not thank me for saying, "Yes, we should introduce one tomorrow."

Chair: Damn. It was worth a try.



Peter Schofield: There is an interesting thing with taper that it is worth the Committee being aware of. If you have someone who is on low income on carer's allowance, depending on their household circumstances, they will also probably be on universal credit. The way the interaction between carer's allowance and universal credit works is that we deduct pound for pound the carer's allowance amount from their universal credit. In that situation, if someone like that then went over the earnings threshold, there is a cliff edge, they lose their carer's allowance, but having lost their carer's allowance they get reinstated the amount back into their universal credit. Then, if they earn additional amounts, the taper in universal credit works in the normal way, which is why I think it is quite important for us—and there was a challenge here—to understand the circumstances. I guess it is more in the context of repayment, but the incentives on people to work in the context of carer's allowance, I think we need to do a bit more research on how that cliff edge plays out in relation to other benefits. Certainly, if someone is on universal credit you lose carer's allowance, but you immediately get the UC uplift at the same time.

There will be people who because of household circumstances—maybe their partner is earning significant amounts of money—are not eligible for universal credit, in which case the cliff edge does apply. But if you are on universal credit as well, then it doesn't play out in the way I think the Committee had understood.

Q123 **Ruth George:** Could I just ask how that works in practice? What is the average amount of time that it takes for a carer's allowance case over the threshold to be picked up? The average amounts of overpayments here are around six months, aren't they?

Peter Schofield: Yes, I see what you are saying.

Ruth George: That is not going to interact well with universal credit because you will not end up getting it back because it will all, presumably, come in one month.

Peter Schofield: At the end of the day the key thing—

Ruth George: It is going to be a mess.

Peter Schofield: No, I don't think I would say that, but the key thing is, isn't it, that it goes back to what I was saying about carers letting us know about changes of circumstance? What I am saying is that if there is a change of circumstance that means that a carer is earning more than the earnings threshold, then they do not immediately lose everything in that context because they would then receive an uplift in their universal credit to take account of the fact that we are no longer deducting carer's allowance pound for pound out of their universal credit.

In practice, where that happens it is more automated already. This already happens in the case of income support. If you are not on universal credit because you are on the legacy system, then you would



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be on income support and carer's allowance. In that case, if you lose your carer's allowance, as I understand it, there is a fairly automated process of reinstating income support. We have not yet automated that for universal credit, so if a claimant loses carer's allowance when they are on universal credit, the key thing is write in your journal straight away, "I've lost carer's allowance. Please can you uplift my universal credit?" That then kicks off a conversation with the case manager on this.

Q124 Chair: Wouldn't you possibly think the Department could do that?

Ruth George: It should be much clearer.

Chair: You are paying carer's allowance and you are paying universal credit. Do I really need to go on my journal and tell you that the thing you have just told me I need to tell you again?

Peter Schofield: In the context of service excellence and where Emma and I want to get to, that is exactly where I want to get to. I am just saying right now that is always the advice: let us know of any change of circumstance. I am just saying that there is not necessarily that cliff edge that the Committee was worried about.

Q125 Chair: If I am on universal credit and carer's allowance and I know my UC is going up and down based on my earnings, do I not still have a right to think that you might know what my earnings are and, therefore, you might also be calculating my carer's allowance right? Because I have so many components of universal credit I probably cannot remember whether carer's is one of those five components I have in my UC.

Peter Schofield: I appreciate the point, but that goes back to the point I was making earlier that the definition of net earnings for carer's allowance—a benefit that was introduced many years ago—is a different definition from the definition of earning in HMRC. The reason for that is because of these deductions, which are deductions that carers want, so I would not want to change that.

Q126 Chair: No, I accept that, but you are saying to me that you want money back from me for an overpayment because I have not told you about a change of circumstances, yet I know that from the rest of my household income every month you know exactly what I am earning because you calculate how much you give me based on how much I am earning, yet I am meant to ring another part of your Department and tell you how much I am earning and check that I am still entitled to the first thing that affects the second. You can understand why people are a little bit confused as to whether they are complying or not in this situation, can't you?

Peter Schofield: Ultimately, the VEP system, which is based on exactly the same feed as universal credit, will give that alert straight away. Ultimately, that is where I would want to be. In the Department in the past, systems have been developed product by product, benefit by benefit, over a period of time. Part of what we are trying to do and the culture that we are changing, the ways of working, the organisational



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redesign that Emma has described, I want to get to a point where you have a single way into DWP, but I am afraid I cannot say we are there yet.

Q127 Chris Stephens: Again, we have probably skirted around this, Peter, but what analysis is the Department carrying out on the impact on claimants' wellbeing from the collection of overpayments?

Peter Schofield: The point in the report, yes. We last seemed to do some work on this in 2014, but in the light of this report I have asked our analyst to prepare a research plan to enable us to get into this.

Q128 Chris Stephens: That work is going to be carried out then. Is the Department considering or has it considered writing off overpayment debts, particularly where there is evidence that the overpayment could have been caught sooner?

Peter Schofield: There are a number of steps to that. We do not try to recover all overpayments. In fact, there is a chart early on in the report that shows—I think it is figure 3—total overpayments detected and how many of those were passed on to debt recovery, and it is around about a half or even less in some years. That is because the difference is obviously if it is our mistake then we would write that off. If it is below the level that it would be economic for us to collect, then we would write that off. Then we have talked about the hardship regime.

Q129 Chair: That is £65 still, isn't it?

Peter Schofield: Yes. I was quite interested in what Sir Amyas was saying about that. I think that Sir Amyas's way of, "Could we go further on this?" is probably the right methodology. I am not sure what the answer would be. His suggestion is that we need to look at the cost and whether it is worthwhile from an economic point of view chasing small amounts of overpayment. I think that we should do the work and understand that: is £65 the right level still?

Q130 Chair: Is that a promise that you will do that work?

Peter Schofield: Sorry, I was not clear in my language. Yes, we will do the work.

Q131 Chair: By when might we have findings?

Peter Schofield: I don't know. I will keep the Committee informed.

Q132 Chair: Is that a "this year" job or is it going to be a long one?

Peter Schofield: I don't know how much work it entails, he says hedging his bets. I want to push this on as quickly as possible. The interesting point is whether the fact that the carer's allowance weekly amount has gone above £65—the report is suggesting that means we will now look to recover overpayments of only one week. I am sure, and Emma may be able to correct me on this, that is necessarily how it works operationally. We pay carer's allowance a week in advance and by the



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point of the earliest opportunity that someone has told us about the change of circumstance, they have been paid extra that week, they have already had the carer's allowance. They have told us as quickly as they could tell us, so it is an official error, not claimant error.

Emma Haddad: That is correct, yes.

Q133 **Steve McCabe:** To be clear, if the Department takes a view or a decision that we should have caught this earlier, some of that debt or all of that debt would be written off?

Peter Schofield: Sorry, to be clear, an official error is where someone has told us about a change of circumstance, but we haven't done anything to trigger a change in that. In that case, exactly, we would write that off. That is true of quite a lot of our benefits, not just carer's allowance.

I was just thinking of the operational impact of someone gets a pay increase, they notice at the end of the week they got a pay increase, they are above the threshold, but because we pay carer's allowance a week in advance they would have already received the carer's allowance. That money is in their bank account, it is an overpayment, I guess, but because they told us on the Friday or as soon as reasonably practical that they had an overpayment, they have told us as soon as they can, we would not operationally seek to collect that, even though the amount would be over the £65 limit that is referred to here.

Q134 **Chris Stephens:** Turning back to the report, there is a concern that there is no recording how often or how much you have to pay the arrears of other benefits. I am particularly thinking about the severe disability premium, Peter. Is there a reason why that is the case, that there is no recording of how often or how much you have to pay out in arrears of SDP, when you detect a carer's allowance overpayment?

Peter Schofield: This is a difficult one. The NAO brought that out in their oral evidence earlier I think. The severe disability premium is paid to the disabled person. Carer's allowance is paid to the carer. This also links to the point that I think you asked about, the ability to net one off against the other. We don't think we are allowed to do that because we have a duty to claimants according to their circumstances.

Q135 **Chair:** It is a joint claim in the first place, is it?

Peter Schofield: Well, it is not a joint claim. The carer has to get the disabled person to sign to say they are being cared for by this person, but the formal position under the regulations is that it is the carer who is receiving the money. It is not like universal credit, where you have a household claim. It is one and the other, so it is more difficult. But the key thing for me is making it as straightforward as possible when someone is in that situation to make the link and the NAO went to see how we do this. I do not want to put words into its mouth, but the report



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does not say it thought there was a problem with that. That matching works operationally, but we have the formal difference between the—

Q136 **Chris Stephens:** Let's try this then, Peter. Of the £150 million that is estimated to be carer's allowance overpayments, is there an estimate of how much you will have to pay out in arrears of, for example, SDP or any other benefit?

Peter Schofield: No, and the report points that out. I don't know that number. I am not sure whether we can do that number. The key thing for me, though, is that in each and every circumstance where that happens we deal with it as quickly as we possibly can.

Q137 **Ruth George:** Are claimants informed that they may be eligible for SDP? In the case that I have been taking up with the Secretary of State, and with you directly, that claimant was taken to court and has his house up for sale and in threat of being made homeless but is owed almost exactly the same amount in SDP as he was in carer's allowance, but he was not informed.

Peter Schofield: The way the system should work, and this is part of our efforts to try to reduce—because I care as much, if not more, about reducing levels of underpayment as I do about levels of overpayment. The scan should pick up where someone is not claiming a benefit to which they are entitled. It is covered to some extent in the report, isn't it? But the SDP is covered by that.

Q138 **Ruth George:** It is not happening in practice.

Peter Schofield: I have written to the individual's MP yesterday with an update on the case, so it is probably best not to talk about that particular case. My sense is that the NAO's report looked at this and felt that this was something that we do and is operating, but we could clearly always improve it. I continue to urge the Committee that if there are cases on any of this—and I am grateful, Ms George, for your correspondence—if you want to raise any individual case with me direct, I will follow that up.

Q139 **Rosie Duffield:** We have stressed aspects of this quite a lot, but I think it is really important to be clear. If under 10% of overpayments referred to debt management are found to be fraudulent, do you accept that the rest of those overpayments are genuine, legitimate mistakes by the carer? If so many carers are making honest mistakes, what level of responsibility for that lies within the Department and its systems and communications?

Peter Schofield: The difference in what we do, if it is a fraudulent claim there will be a penalty and in extreme cases there will be a prosecution. In the case of a genuine mistake, what we call claimant error, we simply ask for the money back. I appreciate that in some cases that can be quite difficult given the circumstances. The responsibility is around—the case we were talking about earlier—the quality of our communications. As Joshua from the NAO said, you can look at the communication and say,



"That is pretty clear" but the key thing is how this is actually landing with the people who we are serving. That is why we are working with Carers UK and we are keen for other stakeholders who have an interest to come forward and help us get this right.

Q140 Ruth George: You said earlier that it probably was not worth going back on cases that are older than 12 months and that is good news for people who have historic cases that have not been picked up yet. Do you not think that people whose cases were not looked at for quite a long time, albeit not under your direction, but then have been picked up and are going back a long time with serious overpayments would not feel rather aggrieved that they are being sought for collection whereas people on an ongoing basis are not?

Peter Schofield: I think the VEPs will pick up more accurately probably the same cases that might have shown up in earlier data but are more like the needle in the proverbial haystack. The table we referred to earlier looks into this, doesn't it? The reason why we think that on a risk-based approach we can leave some of those really historic alerts to one side is because we think from our analysis that we will pick up the same cases through VEPs and do it more effectively and more quickly. I think what people will want to know is that in cases of overpayment where we need to recover the debt—and in answer to Mr Stephens's and Mr McCabe's points as well—we are treating them fairly according to their circumstances. That is the thing we need to make sure we are doing. As I said earlier, I have asked for a research plan for getting an understanding about the impact of our repayment arrangements on the people we are recovering it from.

Q141 Ruth George: The NAO report said that VEPs is picking up about 30% of matches each month and that is only 70% of the total anyway, so that is about 20%, 21% of cases are being matched under VEPs. What are the guarantees that we are not going to end up with people falling through that net, the 79% of cases that are not checked, and falling into long-term arrears again with overpayments?

Peter Schofield: In 70% of cases VEPs works and we will try to push that up towards 100% when we sort out the issues that the NAO raised on things like the date of birth software element. On the other statistic, we are looking at 70% of the population and then get alerts coming in if the RTI feed suggests that the earnings are above the earnings threshold. What we are finding is it is an increasing rate. On pension credit, we have 50% but a significant proportion of those it was worth looking into because we found an overpayment that we could stop.

There will be a significant proportion that we look at and say, "RTI shows that your earnings were above the threshold," but then when we talk to the claimant they say, "Yes, but I am claiming for alternative care costs and these are the amounts. I am claiming for contributions to pensions," or whatever it is, and the net amount goes down. Although you have the alert, it has not identified an overpayment. It has just been a signal that



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we need to talk to the claimant. That is why I am confident. As you say, the challenge is can we extend to closer to 100% of the population.

Q142 Ruth George: This is an incredibly complex procedure, isn't it, with the deductions that are going on and the allowances that are there? There are people with more fluctuating earnings in this day and age as employment becomes more flexible. As you were saying with universal credit, it is a calculation that needs to be made each and every week to see whether somebody comes over the threshold or not. Do you have enough staff to be able to deal with those claims, deal with new claims coming forward and also to make sure, as you said, that you take individual circumstances into account in cases of overpayment? You have not been coping at the moment, so how are you going to cope with managing this system going forward?

Peter Schofield: It is a really good challenge. The data that the NAO has pulled together shows that we have it drilled down to a level that we need for ongoing normal operation. The real challenge is can we keep them at that level. Emma might want to say a little bit about our approach to thinking about resourcing going forward so that we are ahead of the curve that Sir Amyas described rather than beyond.

Q143 Ruth George: The NAO report said that it was impacting on new claims being made and that went up to the end of March. What staffing changes have been made since the end of March within the carer's allowance unit?

Peter Schofield: The most instructive table I found on this was figure 14 on page 31. Can I just check this addresses your question, Ms George? What you see is that the yellow line is new claims for carer's allowance, which peaked at around September 2017. The challenge for us—and I think this was the right decision—was to put scarce resource on to addressing the backlog of new claims. What you really want to do with a new claim is get them the money as soon as possible, so we addressed that. But what you also saw was a continuing rise—that is the orange and the red—in the number of changes of circumstance that we had not processed. If someone has told us about a change of circumstance and we have not processed that, ultimately if we are paying people overpayments it is our fault, so we will never be able to recover it anyway. But we have finally got a grip on it and you see this peaked at about November 2018 and has come down and it is now down. The latest numbers show it to be at a level that we would want it to be for an efficient organisation going forward.

But the challenge that you and Sir Amyas are both raising is a good one, which is how you make sure that you keep resourcing. In a world of a tight expenditure limit, how do we know that we are always anticipating future pressures and we are ahead of the game? Emma, I don't know whether you want to address that.

Q144 Ruth George: The temporary staff were taken on in order to deal with that bulge, were they not? Presumably, with the amount of work you



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have going forward to keep on top of this, you would be keeping those temporary staff in place. Has that happened?

Emma Haddad: We do have a mixture of temporary and permanent staff in the carer's allowance unit at the moment. We were actually overresourced to have dealt with the backlogs, obviously, because you need extra people to deal with all the new work coming in as well as clearing backlogs. We will gradually have to bring the staffing down to the right level that is the level that keeps up with intake each week and the acceptable head of work. That includes the VEP alerts team in Newcastle as well. That will be a mixture. Some of the temporary staff might not stay or they might. We look at resourcing across the whole DWP operations.

Q145 **Ruth George:** Did they have the option of staying? Have they had the option of staying after March? Have they had contracts renewed?

Emma Haddad: I don't remember specifically for the fixed-term contract appointees in carers. Some of those we extended, and some will be looked at as we move forward. Lots of different fixed-term contracts have different end dates.

Q146 **Ruth George:** Would you be able to let us know what the level of staffing was up until now and what it will be going forward? That is important.

Emma Haddad: Yes.

Q147 **Ruth George:** I understand that a significant number of phone calls to the carer's allowance unit have not been answered in recent weeks and that will impact on all the people who are trying to phone up and report a change of circumstances and ask for advice. It is a very intensive system, as you have set out. How are they going to manage that system when the phone is not being answered?

Emma Haddad: I have looked at our performance on telephony over recent weeks and months and we have sustained a very acceptable service of the number of calls that we have answered. The good thing in the carer's allowance unit is that for 95% of those calls we solve the query there and then, once and done. The customer does not have to get handed off to anybody else and we do not have to call them back. The 5% is where it needs to go to some specialist decision maker or that kind of thing. Keeping on top of the calls has stopped that backlog growing any further.

Q148 **Ruth George:** What is the acceptable level and what proportion of calls are answered?

Emma Haddad: I think it has been at about the 85% mark.

Q149 **Chair:** You think? You said you had been looking at it.

Emma Haddad: I would need to look up the exact figures for you.



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Q150 **Chair:** Is 85% acceptable?

Emma Haddad: That is comparable with the other product lines.

Q151 **Ruth George:** Could you let us know? That is still 15% of people, carers, with chaotic lives who are trying to get through and not able to, to report these changes of circumstances and have that conversation.

Emma Haddad: There is a difference between able to get through and not able to get through. We have ensured that on new claims we have not had any blocked calls. They might have had to call back to get through, you are right, but they have not just had an engaged tone or not been answered at all.

Peter Schofield: It goes back to people's lives. If we have a peak in call waiting, they might not be able to wait. At that point they put the phone down. You hope they then are able to phone back again when it is more convenient.

Q152 **Ruth George:** Thank you. Your published estimates of fraud and error overall show total underpayments across all benefits of about £1.7 billion but they did not include the late payments or the payments of arrears such as these. How many people does the Department pay late and by how much?

Peter Schofield: Sorry, the question is—

Ruth George: The question is on the total underpayments. You said that those underpayments were as important to you as overpayments. They don't include late payments or payments of arrears. How many people does the Department pay late and by how much?

Peter Schofield: I don't think I have a number for that. I can tell you that the underpayment number that we published last week was £1.1 billion. It is half: £2.2 billion was overpayments, £1.1 billion was underpayments. But my focus is on trying to get both those numbers down. On late payments, we have a particular focus on universal credit, for example. That is part of my regular dashboard and we publish those numbers regularly. Universal credit payment timeliness is around 80% to 85% consistently.

Q153 **Ruth George:** Would you be able to let us have those figures for Carer's Allowance in particular?

Peter Schofield: Yes, we will let you have that.

Q154 **Steve McCabe:** Fraud and error are currently at record levels and I understand overpayments are costing the Government about £3 billion a year. Can you say confidently that you are on top of this?

Peter Schofield: We put the statistics out last week. The number of overpayments was £2.2 billion, which is about the same—no, it is not. I am getting my numbers confused. It is 2.2%, £4 billion. You are right, the underpayments is 1.1%. Sorry, I got that wrong. It is about £2



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billion. Let me correct the record on that. At 2.2%, that is the same as it was in the previous year. It is higher than I would want it to be.

Q155 **Steve McCabe:** Where would you want it to be? To me, £3 billion sounds like a lot of money to write off. Where would you want it to be?

Peter Schofield: I have had this conversation with the Committee before but also with the Public Accounts Committee. There is always a balance here and it was picked up by Sir Amyas earlier. Ultimately, there is a sweet spot here where the amount of money we are spending detecting, tracking down, recovering is worthwhile for the amount that we are collecting. You can get to the point where you are chasing this down and it is not worthwhile doing, but we are not there yet.

We are getting to the heart of the root causes of overpayment and underpayment benefit by benefit. Laura leads on this and she has this fantastic heat map that will interrogate each of the benefits and what the causes of loss or overpayment or underpayment are. It might be that we are overpaying because people have not reported earnings. It might be that we are underpaying—another serious situation—where someone is on a disability benefit and their condition has deteriorated and they have not told us and we have not picked that up. It works both ways and I don't think I know the answer yet to the point of where is that sweet spot.

I don't yet know that answer for two reasons. One is that we are still building our evidence base. The second thing is that as new technology comes in we can more effectively with less resource—VEPs is a classic example of that—track down more overpayment. You, as a Committee, and the wider stakeholders should expect me to do better on driving down fraud and error when I have new technology that makes it cheaper to pursue more overpayments and identify more underpayments than it was in the past. It is a moving picture. The key thing is to assure you and the rest of the Committee that we are building a better understanding about how this works in the context of a strategy that is reviewed every year by the National Audit Office.

Steve McCabe: You think it is getting better.

Q156 **Chair:** You said it is getting better. Isn't it fair to say that your level of overpayments and underpayments was the joint highest ever last year?

Peter Schofield: The percentage was the same as the year before but because we are paying more benefits the actual cash amount was higher, that is true.

Q157 **Chair:** It is hard from either of those to get the view that things are getting better, isn't it?

Peter Schofield: There are two things that we need to be aware of there. One is that universal credit brings a different customer base into DWP where there are more areas of risk. If you look at our customer



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group, we have very low levels of overpayment in the state pension because of the design of the pension and the fact that it is a fixed sum and changes of circumstance are not going to affect people's entitlement to that. When you have a working age population where you have to take into account not just earnings but things like whether people are living together and declaring that as a household, whether people have capital that they are declaring, whether people are going abroad for longer than they are entitled to on the benefit, these are difficult things to pick up. What you are seeing is the demographics of the people that we serve covered by the overarching figure for DWP are including more people who are coming across from, say, HMRC who might be on tax credits. That is one thing.

The second is that the challenge of fraud is a growing one and we have to make sure our systems are alert to that. Sometimes I wonder whether we are better at identifying fraud and, therefore, it reflects in the numbers. I am not going to use that as an excuse, but we have to take that into account.

Sir Amyas and the NAO and Sir Amyas's successor will always look at our accounts and decide whether to qualify them based, I am sure, on the overall number. But for me it is having a handle benefit by benefit, source of error by source of error, and knowing that in each of those boxes in that matrix we have a strategy that in a value for money way is really driving out improvement and getting to the heart of this, and that is what the strategy is all about. Laura leads on it. As I say, NAO looks at us every year and certainly last year when they looked at the strategy they were reasonably satisfied that we were doing the right thing.

The final thing is to pick up a point about what we measure. As the report shows, we have not measured the high levels of overpayment in carer's allowance but that is something that we will do and we have started the work ahead of next year's statistics.

Q158 Steve McCabe: Is it true that for carer's allowance we have an estimate of what you think the fraud and error is based on a measure that was done over 20 years ago, in 1997? Is that accurate? If we are looking at figures and relying on them, that is a pretty tenuous grasp, isn't it?

Peter Schofield: No. This report is full of data based on—

Q159 Steve McCabe: Yes, I know, but I am saying, is it true that the measure was last done in 1997? It is maybe not that up to date.

Peter Schofield: No, sorry, there is a lot of up-to-date data about circumstances.

Q160 Steve McCabe: Yes, but I am asking is it true that the measure was done in 1997 and is that accurate?

Peter Schofield: The data and the management information in here is all up-to-date management information and data. The specific thing you



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are talking about is when we pull together our global figures for fraud and error we don't look at, we don't sample every single benefit each and every year, for the reason that Joshua described earlier. It is incredibly expensive and you always have to ask yourself a question: are we better off spending money measuring fraud and error or are we better off spending money tackling fraud and error? Clearly, you have to have a combination of the two to know that you are directing things in the right way.

Q161 Steve McCabe: With all these new systems, is it really that difficult to produce an annual measure?

Peter Schofield: The new systems give you the data that we are talking about, but in order to give you the global figure, if you have to take a sample of the population of people on carer's allowance, you have to dig into their individual lives and say, "Hang on, should they really have been receiving carer's allowance?" understanding their circumstances. You have to do that claimant by claimant. That is why it is really resource intensive. Notwithstanding that—

Q162 Steve McCabe: Do you do one every 20 years? Is that about right?

Peter Schofield: No, for a lot of benefits we do it every year, but when they are big scale.

Q163 Steve McCabe: Right, but not carer's allowance?

Peter Schofield: We spend a lot of money on carer's allowance but in the context of an overall organisation where we spend £180 billion on benefits it is still a relatively small amount of money. With the finite resource I have on measuring, I put it in the places where it is the largest amounts, and experience in the past at least has suggested that the likelihood of change is greater from one year to the next. But the NAO has made an absolutely fair challenge, particularly looking at the growth in carer's allowance over the last 10 years. They have said, "You can't go on saying carer's allowance is static." That is quite right, so we are putting the resource in this year to measure Carer's Allowance and we will do that through 2019-20 so that you get the stats this time next year.

Q164 Chair: A couple of last things. Laura, apparently you have a strategy for fraud and error on carer's allowance. Does that include a target for where you will get the amounts to by a certain date?

Laura Squire: We don't have targets that are at the level of individual benefits. We do understand at the level of individual benefits where our main causes of loss are. The reason is because the benefits all have conditions and we find the same cause of loss across a number of different benefits. VEPs is a really useful illustration of how we approach this. When you have a cause of loss that is unreported earnings, the solution to that is one dataset. The solution to that is how we have taken RTI. We have developed it through VEP and in universal credit we are



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feeding it directly into the system. That data solution goes across multiple benefits, so that is how we are focusing on this.

This year we have created a risk and intelligence service and they are also doing really focused work on our other main causes of loss: how we can use data analytics to understand whether people are living together, how we can approach capital. That is the approach we are taking. We are taking it cause of loss by cause of loss, but I do also have groups that look intensively at particular areas. For carer's allowance, we have not had an external measure, but we do regularly look at the overpayments detected and the causes of those. We also have quality people and they are feeding back into our risk and intelligence service, so we can understand the root cause. That is the approach that we are taking.

- Q165 **Chair:** You have a strategy, but you don't know where you are starting from or where you are trying to get to, but other than that it is going to work. You do have a target for how much you are going to save using VEPs on carer's allowance overpayment, don't you?

Laura Squire: Yes, we do.

- Q166 **Chair:** You can't have a target for how much you are going to get the fraud down by, but you can have a target for how much return you are going to get from a new piece of software.

Peter Schofield: It goes back to the point of what is the most direct way into understanding whether or not the system is working. Here we have a business case for VEPs and we can identify across a range of benefits the return that we are getting.

- Q167 **Chair:** What you are really saying is that when you want a business case to spend some money on something you want you can have a target. When you don't want to be held to account on something, you don't want a target. That strikes me as being—

Peter Schofield: No, that is not fair. It is just that the analysis was done that enabled us to understand the nature of the potential when we look at addressing earnings fraud or overpayment.

- Q168 **Chair:** But I assume that calculation was how much are we losing at the moment, how much will we lose if we have this software, and the difference is how much we can save. That is kind of what we are asking you to say: what can you get overpayments of carer's allowance down to by a certain period? Isn't that not just the same calculation presented slightly differently?

Peter Schofield: Laura's point is that when we look at VEPs, increasingly what we are trying to do is we are looking not benefit by benefit, but we are looking cause of loss by cause of loss. People on carer's allowance will be on a range of other benefits as well, potentially, and the cause of loss will be the same. I am trying to make sure we are talking about meaningful indicators. For me, it goes back to this two-by-two matrix. It



is understanding each of those elements. We will take the NAO through all of this in their review and I am sure they will report that.

Q169 Chair: We don't want to get back here in three years' time with another out of control set of overpayments on carer's allowance. We would have liked there to be some data and targets that we could be confident you were monitoring and checking that we could see published and know that this is under control and getting more under control. We don't want people to have the pain of having to repay something that they probably should never have had.

As a final question, if I am a carer watching this who is thinking, "I can't be absolutely sure that I didn't earn too much in one week in 2012 and I might get a bill coming soon", can they be reassured that there is not going to be a thorough trawl through everybody's minor potential infractions going back a hell of a long time, that if they haven't been contacted by now they can probably rest easy that innocent mistakes are not going to come back to haunt them?

Peter Schofield: The right thing to do is always to declare your circumstances to the DWP and we will treat people fairly. We have rules that we have to follow, but I hope I have talked you through the approach to repayments in particular where we take into account people's circumstances and we treat people fairly. I think that is what everyone looking in on this will ask of us in the role that we have.

Chair: Thank you for your time. That is the session closed.